

IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

PERFORMANCE REPORT

Performance Results Achieved for Fiscal Year 2007

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Introduction

I am pleased to present the Iowa Department of Economic Development (IDED) performance report for fiscal year 2007 (July 1, 2006 – June 30, 2007). This report contains valuable information about the services of the IDED and its partners during the past fiscal year in the area of economic and community development.

The IDED works to attract, retain, and expand businesses that will provide quality jobs for Iowans. Specific services and programs include development of business projects from existing Iowa firms, as well as from other firms worldwide. The department administers business financial assistance programs, including the Iowa Values Fund, in conjunction with these efforts. The IDED also facilitates regional economic development, trade assistance, and worker recruitment and job training services to provide employees with the skills necessary for high-wage jobs.

The IDED supports community development projects to make communities more attractive for growth and business location. Activities include financial assistance for public works and other community facilities, and housing. The Iowa Film Office promotes Iowa locations for movies. Endow Iowa has been formed to assist and encourage philanthropic investments in communities. The IDED supports voluntary formation and operation of multi-county economic development marketing regions and business

accelerators. Main Street Iowa preserves and revitalizes historic downtowns in several dozen participating communities. IDED's Tourism programs and Vision Iowa projects enhance the quality of life as well as contribute to the state's economy.

This Performance Plan reflects accomplishments toward goals that were set in June, 2004, and reaffirmed by the IDED Board in 2005. In FY 2008, the Department expects to complete a new agency strategic plan that will be aligned with Governor Culver's new Enterprise Strategic Plan for Iowa state government. The Performance Plan for 2009 will reflect additional measures associated with the new strategic plan.

The Department funded business projects during FY 2007 that will create or retain 8,572 jobs. The totals for the four-year period starting from the creation of the original Values Fund were 29,516 jobs to be created or retained.

In order to produce more business projects and jobs in the future, business development staff worked to increase the number of active business prospects. This number grew from 51 in January 2003 to 376 by July 2004, and has grown further to 476 by July 2007. The goal is to maintain at least 500 sustained business prospects, from which quality projects will be developed. These represent businesses interested in startup or expansion within Iowa, as well as relocation and

investment from other states and countries.

A fourth Division was created in the Department during FY 2007. The new Innovation and Commercialization Division was created to coordinate efforts in the bioscience, information technology, and advanced manufacturing industries, as recommended in a series of reports conducted for IDED by the Battelle Memorial Group.

Major areas of emphasis for Fiscal Year 2007 were implementation of

strategies for the three Battelle cluster industry reports, and further encouragement and continuing funding and technical assistance for regional economic development efforts, including business accelerators, which nurture startup- and young companies.

Sincerely,

Mike Tramontina
Director, Iowa Department of
Economic Development

Agency Overview

Vision: All Iowans enjoy a vibrant economy.

Mission: To engender and promote economic development policies and practices which stimulate and sustain Iowa's economic growth and climate and that integrate efforts across public and private sectors.

The main products and services IDEED offers are generally under one of two categories, business development or community development. The types of products and services in both categories include the following:

- Technical assistance to communities and community organizations and businesses.
- Marketing and promotion to encourage customers and partners to help achieve our common development goals.
- Financial assistance to communities and businesses for specific development.

Financial assistance passed through to business and community customers accounts for more than 90% of the department's budget, and requires substantial staff support. IDEED receives and distributes nearly \$38 million annually from federal community development and housing programs. Other large components are the Vision Iowa and Community Attraction and Tourism Development programs, which have provided hundreds of millions of dollars for local projects which enhance quality of life. On the business side, incentives for job

creation increased substantially starting in Fiscal Year 2004 with the passage of the original Grow Iowa Values Fund. In cooperation with Iowa community colleges, we also package job training with other incentives for business growth. All financial assistance is awarded by application processes, which are typically very competitive.

Marketing and promotion consists of various campaigns directed at businesses, development organizations, site selectors, and others and is generally designed to provide information on the advantages of locating, expanding, or otherwise improving Iowa's economic base, workforce, and quality of life. Activities in this category include pro-active business and workforce recruitment trips throughout the U.S. and internationally. The state's tourism promotion program targets Iowans and visitors in surrounding states. Web site development has augmented print advertising and other communications efforts in recent years as a major marketing tool.

Technical assistance is an activity that tends to pervade all agency programs. There is significant outreach to existing businesses to encourage expansion and continuing competitiveness. Community development staff work extensively with local staff on federal compliance as well as grant performance issues.

IDED has 147 employees, all of whom work out of the Des Moines office. The majority of employees

have four-year or advanced degrees, typically in fields related to business or community development. IDED also contracts for the staffing of two foreign offices, in Germany and Japan, and has had firms under contract to represent Iowa's business development interests in various other countries.

The organizational structure of the IDED is made up of four divisions: Administration, Business Development, Community Development, and the newly-created Innovation and Commercialization Division. The IDED has three Core Functions, which roughly align with the Divisions. The Core Function of Economic Growth and Management is the responsibility of the Business Development Division and the Innovation and Commercialization Division. The Core Function of Community Coordination and Development is covered by the activities of the Community Development Division. Finally, the Core Function of Resource Management is overseen by the Administration Division.

The IDED Board of Directors governs several key activities of the department, including approval of the strategic plan, administrative rules, budgets, and business finance awards. In accordance with the Iowa Code, the Board has established the Due Diligence Committee, the Loan and Credit Guarantee Committee, and the Commercialization Committee to oversee specialized functions. Division administrators report to the Director's office.

Several programs involve formal boards to oversee functions. These boards include the City Development Board (overseeing city boundary changes), the Vision Iowa Board (overseeing the funding of projects), the Agricultural Products Advisory Council, the Renewable Fuels Infrastructure Board, the Small Business Advisory Council, the Beer

and Wine Promotion Board and the Iowa Commission on Volunteer Service (overseeing a number of volunteer programs, including Americorps in Iowa). The formal boards of the IDED are established by the Iowa Legislature and all programs follow administrative rules as approved by the Iowa Administrative Rules Committee.

KEY RESULT

SERVICE/ PRODUCT/ ACTIVITY

Name: Economic Growth and Expansion

Description: Annual Creation for five years of new higher paying jobs

Why we are doing this: To raise wages and long-term business investment in Iowa

What we're doing to achieve results: Encouraging and providing incentives for business location and expansion projects within Iowa, providing job training, and employee recruitment activities.

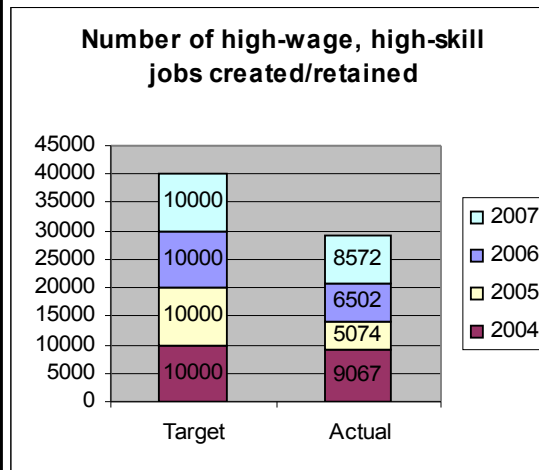
Results

Performance Measure:

Number of new or retained high-paid, high-skill jobs that require two years post-secondary education.

Performance Target:

50,000 jobs over 5 years (10,000 per year), starting with FY 2004



What was achieved: Businesses receiving financial assistance from IDED will create or retain a total of 29,215 jobs for the first four years of the five-year goal period. (This includes 22,516 jobs for projects under contract, and 6,699 jobs for projects awarded but not yet under contract. Yearly totals have been reconciled with the FY 2007 Annual Status Report)

Data Sources: IDED records

Resources: Total funding for this activity was \$65,645,000, which includes the Iowa Values Fund. Most of this is passed on to businesses as incentives for job creation and retention. A total of 58.00 full-time equivalent employees were involved.

KEY RESULT

SERVICE/ PRODUCT/ ACTIVITY

Name: Business Development

Description: Firms maintained on active prospects list

Why we are doing this: To identify businesses to work with to bring more high-paid, high-skill jobs to Iowa.

What we're doing to achieve results: Direct marketing to firms, sales calls, advertising, and assisting existing industry.

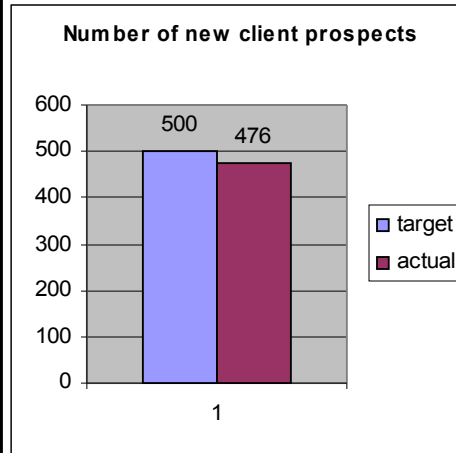
Results

Performance Measure:

Number of firms maintained on active prospect list.

Performance Target:

500



What was achieved: By the end of FY 2007, IDED was maintaining a list of 476 businesses with active interest or plans for specific projects in Iowa, 24 below the goal of 500.

Data Sources: IDED records

Resources: A total of \$ 6,300,160 was budgeted for this activity. A total of 57.00 full-time equivalent employees were involved.

KEY RESULT

SERVICE/ PRODUCT/ ACTIVITY

Name: Iowa Careers Consortium

Description: Recruitment of persons from outside Iowa to fill private sector jobs

Why we are doing this: Provide skilled and educated workforce to enable Iowa firms to grow.

What we're doing to achieve results: The ICC marketing initiative includes promotion and recruitment trips to areas with a high concentration of Iowa alumni and targeted skilled workers; national and in-state public relations; participation in national and in-state college, professional and diversity career fairs and the development of collateral materials.

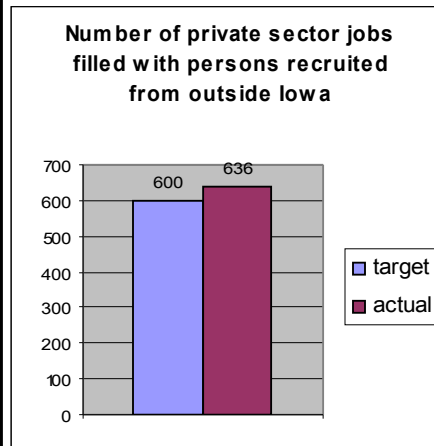
Results

Performance Measure:

Increase in number of persons recruited to fill skilled positions.

Performance Target:

600



What was achieved: A total of 636 persons were recruited to fill skilled positions, exceeding the goal of 600.

Data Sources: IDED records

Resources: A total of \$354,491 was budgeted for this activity. A total of 1.50 full-time equivalent employees was involved.

KEY RESULT

SERVICE/ PRODUCT/ ACTIVITY

Name: Tourism promotion

Description: State efforts to increase tourism to Iowa

Why we are doing this: Tourism provides jobs and income; it also enhances the image of Iowa as a place to live and do business.

What we're doing to achieve results: A variety of marketing activities, including provision of tourism guides, advertising in print and broadcast media, providing assistance to local tourism efforts.

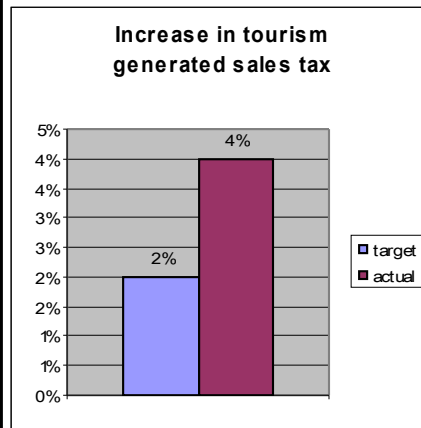
Results

Performance Measure:

Percent increase in tourism generated sales tax

Performance Target:

2%



What was achieved: The increase in tourism generated sales tax was 4%, or twice the goal.

Data Sources: Travel Industry Association of America

Resources: A total of \$3,544,443 was budgeted for this activity. A total of 14.50 full-time equivalent employees was involved.

AGENCY PERFORMANCE PLAN RESULTS FY 2007

Name of Agency: Iowa Department of Economic Development			
Agency Mission: To engender and promote economic development policies and practices which stimulate and sustain Iowa's economic growth and climate and that integrate efforts across public and private sectors.			
Core Function: Economic Growth & Expansion			
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Increased income for Iowans. Ratio of % increase/year in Iowa per capita income (PCI) to US rate.	1:1 or higher	0.94 to 1	What Occurred: The percentage increase in Iowa income was not quite as high as the percentage increase for the US. Data Source: U.S. Bureau of Economic Analysis
2. Increased wealth creation in Iowa. Ratio of % increase in Iowa gross state product to US rate.	1:1 or higher	0.74 to 1	What Occurred: The percent increase in gross state product was 74% of the percentage increase of the US (Gross Domestic Product). Data Source: U.S. Bureau of Economic Analysis
Service, Product or Activity: Business Development – Overall Job Creation			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
3. Number of high-paying jobs created/retained through Business Development programs between July 1, 2003 and June 30, 2008.	50,000 (average of 10,000/year)	8,572 in FY 2007; a total of 29,215 since July 1, 2003	What Occurred: Businesses receiving financial assistance from IDED during FY 2007 are expected to create or retain at least 8,572 jobs. Data Source: IDED records
4. Number of active prospects and leads for possible Iowa business projects.	500	476	What Occurred: IDED revised its criteria for prospects and leads, which led to a slight reduction in businesses listed as having active interest or plans for specific projects in Iowa. Data Source: IDED records
Service, Product or Activity: Targeted Industry Clusters			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
5. Percent increase in jobs in industries in Biosciences, Advanced Manufacturing, and Information Solutions	5%	1.1%	What Occurred: The increase in jobs in Iowa's targeted industry clusters was 1.1% for FY 2007, which was less than the goal. Data Source: Iowa Workforce Development

Service, Product or Activity: New Bioscience Companies			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
6. Number of new biotech companies created over 5 years	100	112	What Occurred: The creation of new bioscience companies has exceeded the goal. Data Source: Iowa Workforce Development
7. Increase per year in the number of bioscience start-up companies that obtain technical assistance or investment funding.	15	26	What Occurred: The goal for IDED assistance startup companies in the biosciences was exceeded in FY 2007. Data Source: IDED records

Service, Product or Activity: Business Development – Support ag-value added			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
8. Bushels of corn and soybeans to be processed per year by companies that obtain IDED funding during FY 2007	200 m.bu. corn; 100 m.bu. soybeans	Corn: 1,152 m. bu. Soybeans: 257 m.bu.	What Occurred: Led by corn for ethanol, the combined increase in corn and soybean inputs to Iowa value added industries far exceeded the goals. Data Source: IDED records

Service, Product or Activity: Business Development – Increase Iowa Exports			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
9. Percent increase in Export Sales per year by Iowa firms	5%	14.5%	What Occurred: Iowa firms increased export sales at a pace nearly three times the goal. Data Source: Global Trade Information Services
10. Percent increase per year in Iowa firms' participation in foreign trade shows and trade missions	5%	-6.7%	What Occurred: Participation in foreign trade shows and trade missions among Iowa firms decreased. Data Source: IDED records

Service, Product or Activity: Business Development – Job Training			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
11. Percent increase in number of new workers completing post secondary training through support for the community colleges' training programs.	5%	-43.5%	What occurred: The number of new workers trained fell by 43.5%. In the previous year, the number of new workers trained had grown by 94%, so in retrospect a drop for this year might have been anticipated. Data Source: IDED records based on community college data.

Core Function: Community Development			
Performance Measure	Performance	Performance	Performance Comments & Analysis

	Target	Actual	
12. Percent population growth per year	0.5%	0.6%	What occurred: The rate of population growth was 20% above the target of .5% increase for the year. Data Source: U.S. Census estimates
13. Number of jobs per year created or retained through the efforts of multi-county regional economic development organizations.	600	5,452	What occurred: The number of jobs created or retained within the economic development organization regions was 5,452, about nine times the goal. Data Source: IDED records
Service, Product or Activity: Business Development – Iowa Careers Consortium			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
14. Increase in number of persons recruited to fill skilled positions	600	636	What occurred: The goal for persons recruited from outside Iowa was exceeded for the year. Data Source: IDED records, compiled from reports from participating companies.
Service, Product or Activity: Community Development – Community Foundations			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
15. Percent growth in assets of permanent endowment funds at accredited community foundations and their affiliates	3%	19%	What occurred: The growth in assets of permanent endowment funds greatly exceeded the goal for the year. Data Source: IDED records, compiled from reports from community foundations.
Service, Product or Activity: Community Development – Tourism promotion			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
16. Percent increase per year in tourism generated sales tax	2%	4%	What occurred: The increase in sales tax due to tourism exceeded the goal for the year. Data Source: Travel Industry Association of America
Service, Product or Activity: Community Development – Main Street/Downtown assistance			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
17. Net number of new businesses in downtown/Main Street client communities	165	147	What occurred: The number of net new businesses in Main Street/downtown client communities did not meet the goal for the year. Data Source: IDED records, based on reports from Main Street/downtown client communities.
Service, Product or Activity: Community/Business Development – Community Seed Funds			
Performance Measure	Performance	Performance	Performance Comments & Analysis

	Target	Actual	
18. Number of new community-based seed funds	2	2	What occurred: The goal for new community-based seed funds was met for the year Data Source: IDED records
Service, Product or Activity: Community/Business Development – Regional Economic Development			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
19. New investment per year in business deals through the efforts of regional economic development organizations	\$2 million	\$5.6	What occurred: The amount of investment for business deals in the economic development organization regions greatly exceeded the goal Data Source: IDED records
20. Number of businesses attracted per year, per region	5	6.6	What occurred: The number of businesses attracted per year, per economic development organization region exceeded the goal Data Source: IDED records
21. Number of businesses served per year per business accelerator	10	75	What occurred: The average number of businesses served by each business accelerators was over seven times the goal for the year. Data Source: IDED records, from reports from business accelerators

Core Function: Resource Management			
Service, Product or Activity: General administration			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
24. Number of reportable audit comments	3	4	What Occurred: Four reportable audit comments were received, so the goal of three or fewer comments was not met. Data Source: Annual audit report
Service, Product or Activity: Research/Evaluation/Performance			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
25. Percent of AGA and Iowa Excellence requirements met	100%	100%	What Occurred: All Iowa Excellence and Accountable Government Act planning and reporting requirements were met. Data Source: IDED records

RESOURCE REALLOCATIONS

We have no resource reallocations to report for Fiscal Year 2007

AGENCY CONTACTS

Copies of the Iowa Department of Economic Development Performance Report are available on the IDEED Web site at: <http://www.iowalifechanging.com/>. Copies of the report can also be obtained by contacting Lane Palmer at 515-242-4837.

Iowa Department of Economic Development
200 East Grand Avenue
Des Moines, Iowa 50309

515-242-4700